



Eastern Utah Early Intervention, Inc.

DBA Prime Time 4 Kids

Financial Statements

For the year ended

June 30, 2005

Eastern Utah Early Intervention, Inc.
DBA Prime Time 4 Kids
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Eastern Utah Early Intervention, Inc.
DBA Prime Time 4 Kids
Vernal, Utah

We have audited the accompanying statement of financial position of the Eastern Utah Early Intervention, Inc. (a non-profit corporation) doing business as (DBA) Prime Time for Kids as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Utah Early Intervention, Inc. as of June 30, 2005 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2005 on our consideration of Eastern Utah Early Intervention, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

December 21, 2005
Vernal, Utah

Eastern Utah Early Intervention, Inc.
DBA Prime Time 4 Kids
Statement of Financial Position
June 30, 2005

ASSETS

Cash	\$ 7,512
Accounts receivable	<u>85,384</u>

TOTAL ASSETS	<u><u>92,896</u></u>
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LIABILITIES

Accounts payable	1,840
Wages & benefits payable	47,254
Deferred revenue	<u>39,266</u>

TOTAL LIABILITIES	<u>88,360</u>
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NET ASSETS

Unrestricted	<u>4,536</u>
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TOTAL NET ASSETS	<u>4,536</u>
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TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 92,896</u></u>
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See accompanying notes.

Eastern Utah Early Intervention, Inc.
DBA Prime Time 4 Kids
Statement of Activities
For the year ended June 30, 2005

UNRESTRICTED NET ASSETS

Unrestricted revenues

Program service fees

State of Utah Baby Watch Intervention	\$ 517,194
Medicaid	108,792
CHIP	5,795
Early Childhood Development Program	5,846
Fees & tuition	2,153
Other	1,218
Contributions	607

TOTAL UNRESTRICTED REVENUES

641,605

Expenses

Program Services

Baby Watch Intervention	635,145
Early Childhood Development Program	<u>1,924</u>

TOTAL EXPENSES

637,069

INCREASE IN UNRESTRICTED NET ASSETS

4,536

NET ASSETS AT BEGINNING OF YEAR

-

NET ASSETS AT END OF YEAR

\$ 4,536

Eastern Utah Early Intervention, Inc.
DBA Prime Time for Kids
Statement of Functional Expenses
For the year ended June 30, 2005

	Program Services		
	Baby Watch Intervention	Early Childhood Development	Total
Personnel			
Wages & salaries	\$ 388,039	\$ 1,646	\$ 389,685
Benefits	112,461	142	112,603
Incentive awards	3,400		3,400
Total personnel	503,900	1,788	505,688
In-state Travel			
Staff	16,134	136	16,270
Parent	971		971
Total in-state travel	17,105	136	17,241
Out-of-state Travel	1,040		1,040
Current Expense			
Books & subscriptions	1,673		1,673
Maintenance & repairs	3,058		3,058
Food for clients	1,131		1,131
Advertising & legal notices	2,474		2,474
Communication services	8,170		8,170
Postage & mailing	2,092		2,092
Technical services	7,475		7,475
Payroll processing	1,370		1,370
Rental - land & building	26,040		26,040
Equipment rental	338		338
Building & grounds	4,296		4,296
Office supplies	10,320		10,320
Printing & binding	113		113
Educational supplies	13,293		13,293
Photocopy expenses	152		152
Small equipment	774		774
Office furnishings	1,700		1,700
Utilities	4,933		4,933
Related services, supplies/equipment	3,867		3,867
Printed forms & publications	462		462
Insurance & bonds	1,893		1,893
Training & development	3,699		3,699
Special events	1,412		1,412
Membership dues	683		683
Computer equipment	2,641		2,641
Total current expense	104,059	-	104,059
Capital Outlay			
Computer equipment	1,397		1,397
Office equipment	615		615
Furniture	2,145		2,145
Program equipment	1,281		1,281
Total capital outlay	5,438	-	5,438
Other Expenditures			
Child find/public awareness	3,603		3,603
Total expenses	\$ 635,145	\$ 1,924	\$ 637,069

See accompanying notes.

Eastern Utah Early Intervention, Inc.
DBA Prime Time 4 Kids
Statement of Cash Flows
For the year ended June 30, 2005

CASH FLOWS FROM OPERATION ACTIVITIES

Cash collected from service contracts (including Medicaid & CHIP)	\$ 591,509
Cash collected from fees and tuition	2,153
Cash collected from contributions	607
Cash collections - other	1,218
Cash payments to employees & benefit providers	(458,433)
Cash payments to suppliers of goods and services	(129,542)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,512

BEGINNING CASH

ENDING CASH	\$ 7,512
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RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

Increase in net assets	\$ 4,536
Increase in accounts receivable	(46,118)
Increase in accounts payable	1,840
Increase in wages & benefits payable	47,254
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 7,512

See accompanying notes.

Eastern Utah Early Intervention, Inc
DBA Prime Time 4 Kids
Notes to Financial Statements

Note A—Nature of Activities and Significant Accounting Policies

Nature of Activities:

Eastern Utah Early Intervention, Inc. (the Organization) provides early intervention services to eligible children and families within Uintah and Daggett Counties in the State of Utah. The Organization does business under the trade name: Prime Time 4 Kids. The organization's primary funding source is an annual contract with the Utah Department of Health. The Organization began operations on July 1, 2004.

Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Services:

During the year ended June 30, 2005 the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts Receivable:

The Organization's service contract with the Utah Department of Health provides for reimbursements of the costs of providing services, less amounts received from Medicaid, CHIP, and fees received for program services. Reimbursements receivable are recorded as of the end of the month in which the related expenses were incurred. No allowance has been made for doubtful accounts as receipt of contract reimbursements is reasonably assured.

Medicaid and CHIP are billed for services provided to eligible children. Amounts accrued are net of the match retained by the State. No allowance has been made for doubtful accounts as receipt of contract reimbursements is reasonably assured.

Eastern Utah Early Intervention, Inc
DBA Prime Time 4 Kids
Notes to Financial Statements

Accounts receivable at June 30, 2005 were as follows:

Accounts Receivable:	
Baby Watch Early Intervention	\$ 46,118
Medicaid	38,266
CHIP	<u>1,000</u>
	<u>\$ 85,384</u>

Property and Equipment:

It is the Organization's policy to capitalize property and equipment individually costing \$2,500 or more. Lesser amounts are expensed. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are recorded as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

During the year ended June 30, 2005 the Organization did not purchase or receive any property or equipment costing or valued at \$2,500 or more.

Deferred Revenue

Accounts receivable from Medicaid and CHIP are offset by a credit to deferred revenue because the Baby Watch Intervention Program expense reimbursements will be reduced by the amounts received from Medicaid and CHIP.

Deferred revenue at June 30, 2005 was as follows:

Deferred Revenue	
Medicaid	\$ 38,266
CHIP	<u>1,000</u>
	<u>\$ 39,266</u>

Financial Statement Presentation:

The Organization is required by generally accepted accounting principles to report information regarding its financial position and activities according to three classes of net assets as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not use fund accounting.

Eastern Utah Early Intervention, Inc
DBA Prime Time 4 Kids
Notes to Financial Statements

Income Taxes:

The Organization is a not-for-profit corporation that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Note B – Leasing Arrangements:

The Organization rents its facility in Vernal, Utah under a five-year operating lease with no renewal options. The lease began July 1, 2004 and terminates June 30, 2009. Annual lease payments of \$26,040 are payable at \$ 2,170 per month. The remaining minimum lease payments required under the agreement are as follows:

For the year ended June 30	Annual Rent
2006	\$ 26,040
2007	26,040
2008	26,040
2009	26,040
Total	<u>\$ 104,160</u>

Note C – Defined Contribution Pension Plan

The organization adopted a 403(b) defined contribution pension plan effective August 1, 2004. The plan benefits all employees who work at least 20 hours per week, have completed one year of service, and have attained age 21. The plan allows participating employees to defer a portion of their compensation by making voluntary contributions to the plan. The board of directors determines employer contributions annually. For the year ended June 30, 2005, the Organization contributed \$68,351 to the plan for participating employees.

Eastern Utah Early Intervention, Inc
DBA Prime Time 4 Kids
Notes to Financial Statements

Note D – Concentrations:

Approximately 99% of the Organization's revenues were derived from services performed pursuant to its contract with the Utah Department of Health. All of the Organization's operations are within Uintah and Daggett Counties within the State of Utah.

Note E – Reconciliation of Program Costs to Reimbursement

Net costs for the Baby Watch Intervention Program are reimbursed to the Organization pursuant to its contract with the Utah Department of Health. Costs are reduced by collections from Medicaid, CHIP, parent fees and other collections, and the net costs are reimbursed by the Utah Department of Health.

Total Costs	\$ 635,145
Receipts from:	
Medicaid	108,792
CHIP	5,795
Parent fees	2,130
Other collections	<u>1,234</u>
Sub-total	<u>117,951</u>
Net costs reimbursed	<u>\$ 517,194</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Eastern Utah Early Intervention, Inc.
DBA Prime Time 4 Kids
Vernal, Utah

We have audited the financial statements of Eastern Utah Early Intervention, Inc. (a non-profit corporation) doing business as (DBA) Prime Time for Kids for the year ended June 30, 2005 and have issued our report thereon dated December 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eastern Utah Early Intervention, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Eastern Utah Early Intervention, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe reportable condition 2005-1 described above to be a material weakness.

Compliance

As part of obtaining reasonable assurance about whether Eastern Utah Early Intervention, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management in the accompanying schedule of findings as item 2005-2.

This report is intended solely for the information of the Board of Directors, management and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Caldwell Coombs & Kelly LLP

December 21, 2005

CALDWELL, COOMBS & FOLEY, LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

To the Board of Directors
Eastern Utah Early Intervention, Inc.
DBA Prime Time 4 Kids
Vernal, Utah

We have audited the statement of financial position of the Eastern Utah Early Intervention, Inc. (a non-profit corporation) doing business as (DBA) Prime Time For Kids as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended and have issued our report thereon dated December 21, 2005. As part of our audit, we have audited Eastern Utah Early Intervention, Inc.'s compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2005. The Organization received the following major State assistance programs from the State of Utah:

Baby Watch Early Intervention (Department of Health)

The management of Eastern Utah Early Intervention, Inc. is responsible for the Organization's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying schedule of findings. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion the Eastern Utah Early Intervention, Inc. complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Caldwell, Coombs & Foley LLP

December 21, 2005

Eastern Utah Early Intervention, Inc.
DBA Prime Time 4 Kids
Schedule of Findings
For the year ended June 30, 2005

Reportable Condition

2005-1 Separation of Duties

Condition: During our audit we noted that the Program Director is responsible for essentially all accounting transactions and operations with the exception of Medicaid and CHIP billings. He prepares and signs checks, enters transactions into the accounting system, reconciles bank accounts, makes or approves all purchases, etc.

Criteria: Internal control over financial reporting should be designed and implemented to insure Eastern Utah Early Intervention Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements, and to prevent and detect fraud. One basic internal control is separation of duties, wherein internal control is designed so that no one person has control over a complete accounting cycle or transaction class.

Effect: The Organization was dependent upon the integrity and accounting skills of the Program Director.

Recommendation: The duties of Organization employees should be divided so that no one person has control over or access to an entire accounting cycle or transaction class. Where the number of available personnel is inadequate to separate duties completely, oversight by the Board of Directors could mitigate weaknesses. The Board should carefully review the Organization's internal control and design a system that is both adequate and cost effective. The following are suggestions the Board may wish to consider:

- Require two signatures on all checks.
- Assign bank reconciliation responsibilities to another employee, like the program manager.
- Assign the secretary/treasurer to review and sign bank statements and reconciliations monthly.
- Provide detailed financial statements to board members for their review monthly.
- Purchase a fidelity bond on the Program Director.

Organization Response: We will consider the recommendations in the next meeting of the board of directors.

Eastern Utah Early Intervention, Inc.
DBA Prime Time 4 Kids
Schedule of Findings
For the year ended June 30, 2005

Compliance

2005-2 Medicaid Billings

Condition: During our audit we noted that billings to Medicaid for services were made two or three months following the month of service.

Criteria: The Organization's contract with the Utah Department of Health for the Baby Watch Early Intervention Program requires the Organization to process Medicaid billings at least monthly, following the end of the month to which the billing relates.

Effect: The receipt of Medicaid funds is delayed, thus requiring reimbursement from Program funds.

Recommendation: We recommend procedures be implemented to insure that Medicaid billings are prepared at least monthly for all services rendered through the end of the previous month as required by the contract.

Organization Response: We experienced problems involving the Medicaid billing software, which caused a delay in our billings. We are currently discussing the Medicaid billing requirements in our contract with the Utah Department of Health for clarification regarding certain matters. We will implement changes as necessary to comply with our contract.